Market Comments

The oil market development

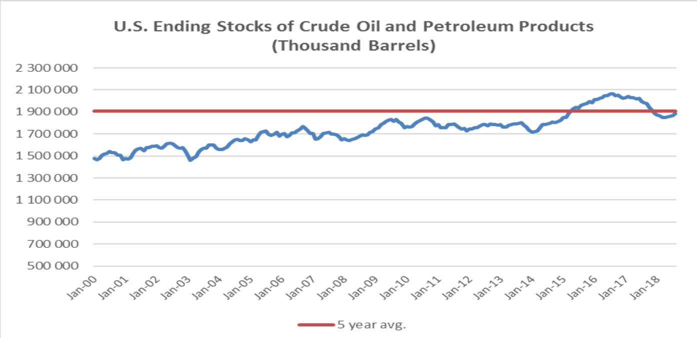
The oil price finished the month on a strong month with Brent at US$ 77.42/bbl, up US$3 since July. Concerns regarding a possible trade war resulting in lower GDP growth and oil consumption going forward abated as the market players became more concerned with a possible supply tightness. Iranian exports appear to be declining faster than expected with tanker tracking data suggesting a reduction of 0.5-0.6mbd since July. In the US, inventories have been registering sharper than expected falls, while production also showed weaker numbers for the two first weekly readings in August. US production has since recovered to 11.0mbd and is up by almost 1.5mbd over year earlier levels.

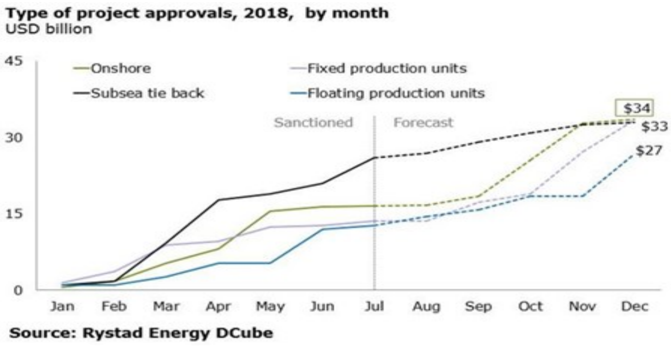
Saudi Arabia is apparently in no rush to boost production with initial production estimates for August at 10.5mbd, up by less than 0.1mbd since July. Output from OPEC was 32.4mbd, up by 0.2mbd compared to July. Although global demand for the next couple of months should be seasonally weaker, the recent crude gains seem to stick as the global spare production capacity cushion is declining and could become stretched. These supply side concerns are now clearly more in focus than any possible demand side reductions resulting from trade frictions providing strong support to the crude price.

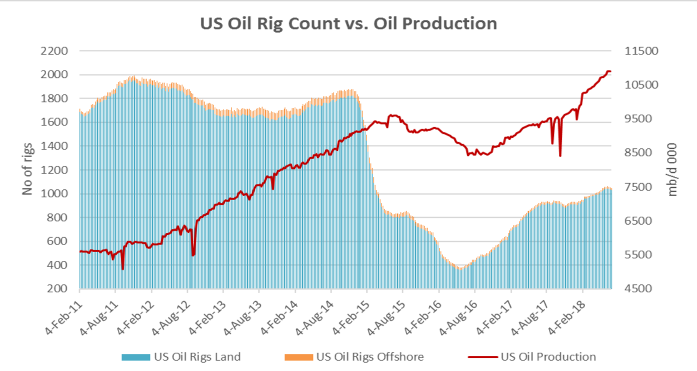
Offshore activity focus on subsea tie backs

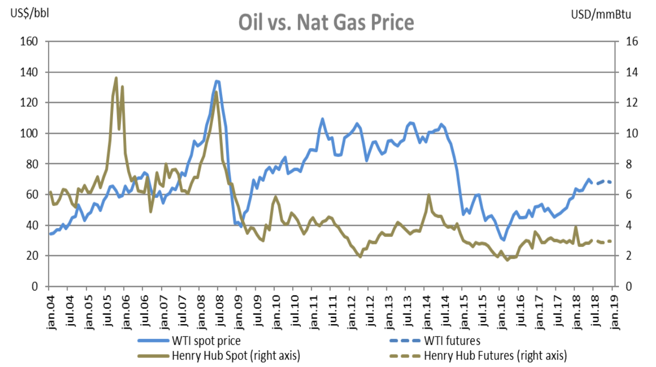
Rystad Energy reports that 2018 has seen 45 new offshore projects sanctioned so far in 2018. Subsea tie backs have been favored the most by operators in 2018. Collectively, nearly US$26 billion in subsea tie back projects have been approved, with an additional US$7 billion forecasted by year-end and totally US$92 billion in offshore projects. Subsequently subsea contractors will have a potential US$7.4 billion in greenfield contract opportunities over the next few years. The rest of 2018 will see more fixed facilities and floater projects approved than subsea tie backs. We are also seeing larger revamp project in shallow water for fixed platform such as the US$6 billion that ExxonMobil in Nigeria will spent on its RPP and OCIIP 3 project over the next 5 years.

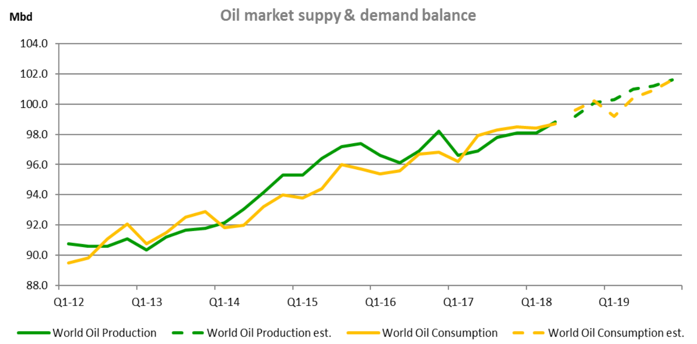
The Marjan Expansion project in Saudi Arabia will be the largest fixed facility project up for sanctioning. If approved, it will look to award contracts in excess of US$4.6 billion over the next several years. We expect that the sum of this will improve the market fundamentals for subsea support and construction support equipment going forward, providing much need demand to a fleet which has suffered low utilization between 2015-2017.

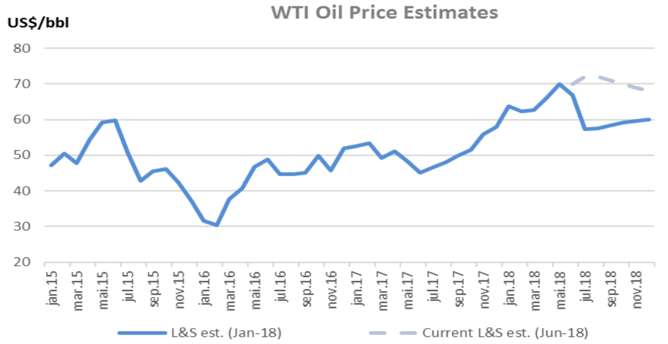












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